

### **REMARKS/ARGUMENTS**

The above amendments and the remarks below are in response to the Office Action mailed on February 23, 2004 in the above-listed patent application. In the Office Action, Claims 1-12 were rejected under 35 U.S.C. §§112 and 102(e). In particular, Claims 2, 3 and 8-12 were rejected under 35 U.S.C. §112 for several terms lacking antecedent basis. Claims 1-12 were rejected under 35 U.S.C. §102(e) as being anticipated by U.S. Patent No. 6,338,047 to Wallman ("Wallman").

#### **35 U.S.C. §112**

With respect to the rejections under 35 U.S.C. §112, Claim 2 has been amended to clarify that the securities holding account contains all of the selections of securities maintained by the electronic system. Claim 3 has been amended to clarify that the securities account contains whole and fractional securities that are not owned by the individual investors. Claim 8 has been amended to clarify that the condition includes electronically receiving a number of buy and sell orders.

Claim 9 has been amended to remove an additional dependent claim inadvertently appended thereto. This additional dependent claim has been added as Claim 13. Claims 10 and 11 have been amended to recite dependency from Claim 13. Claim 12 has been amended to delete the phrase "other such shareholder communications." The rejections of Claims 2, 3 and 8-12 under 35 U.S.C. §112 have therefore been overcome.

#### **35 U.S.C. §102(e)**

Wallman discloses a system for forming a fund that reflects the investment choices of a plurality of investors. The system includes a plurality of users 110 connected through a telecommunications interface 120 (e.g., the Internet) to a system integrator and calculator 130, as shown in Figure 1 of Wallman. The integrator and calculator is connected to a fund 140 for holding securities and is associated with a market 170, such as a stock exchange, for making

securities purchases thereon. Cash and securities 160 can be deposited in the fund by the users via a connection 150, such as the mail or an electronic funds transfer.

The fund of Wallman reflects the investment choices of the plurality of investors by allowing each investor, at the time of contribution, to select which securities to add to the fund. Each investor can contribute either securities or cash. If securities are contributed they are added to the fund and their value is calculated at the time of the contribution, as described at column 6, lines 23-25 of Wallman. If cash is contributed, the investor designates which securities the cash would be used to purchase, as described at column 6, lines 28-32.

Wallman's system allocates a pro-rata share in the fund based on the value of the contribution and the overall value of the fund, as described at column 6, lines 62-67 and column 7 lines 1-6 of Wallman:

The pro rata ownership interest of an investor making his first contribution to the fund is calculated by summing the total fair market value of the fund at the time of the contribution by the investor with the amount of the investor's contribution, and then dividing that sum into the amount of the investor's contribution.

As an example, if a fund currently has a total fair market value of \$990,000, then an investor who contributed \$10,000, whether in cash or in stocks, would receive a 1% interest in the fund.

$$\$10,000/(\$990,000+\$10,000)=1\%$$

Notably, each pro rata interest is a percentage of each of the securities in the fund, not just those the participating user contributed or selected, as described at column 7, lines 36-44 of Wallman:

Over time, the fund would reflect the interests of the investors that invest in the fund. That may mean that the fund is overly weighted in particular categories or stocks, it may mean that the entire fund is in one sector, or it may mean that the fund looks very much like the S&P 500 or some other index. The beauty is that it can consistently change as

individual preferences change, and the preferences that the fund reflects are not those of professional money managers, but of the investing public participating in the fund. Figure 2a of Wallman illustrates this system by showing each of investors 7, 8, 9 and 10 as investing varying amounts in different securities (Stocks A, G, H and I) into the existing fund. In Figure 2b of Wallman, each of the investors ends up owning their pro rata percentage of the fund, independent of the actual security they contributed, as shown by the removal of the security selection from each investor's box.

As an alternative, Wallman also discloses that each investor can have an individual account in which the securities are individually held and wherein the securities in the account reflect the aggregate investment choices of the group of investors, at column 4, lines 31-40. In this case, again, the individual ends up owning securities selected by others in order to match the "aggregate investment choices of the group of investors." Regardless, Wallman describes the resulting aggregation of "thousands or millions" of investor preferences as potentially outperforming passive indexes and professionally managed funds, at column 4, lines 1-5.

Claim 1 of the present invention has been amended to describe the securities engine as calculating and tracking whole and fractional shares of the securities wherein each of the investors continues to own only the securities they selected. Wallman, in contrast, does not track and attach ownership to the security contributed by each of the individual investor, but instead calculates a pro rata interest in the composite group of securities owned collectively by all of the investors. Unlike Wallman, therefore, the present invention as described in Claim 1 attaches ownership of each individual investor to the securities selected by that particular investor even when in the fund, and not the securities selected by other investors.

In addition to not disclosing tracking ownership of the securities selected by each of the investors while in the fund, Wallman does not suggest that tracking ownership of the individual securities by the investors in the fund would be advantageous. In fact, Wallman teaches the opposite theory – that a pro rata investment in a composite of investment choices of other investors, as opposed to isolation of an investor's own selected security for investment, could result in a fund with superior performing characteristics.

As an example, a trader investing \$100 worth of ABC shares in Wallman's fund when it already has \$100 of EFG shares and another \$100 of XYZ shares (totaling a value of \$300), would get a 1/3 pro rata share of each of the fund's securities. In this example, the trader would own  $\$33\frac{1}{3}$  of ABC,  $\$33\frac{1}{3}$  of EFG and  $\$33\frac{1}{3}$  of XYZ, thereby owning shares selected by other traders. In contrast, with the present invention as described in Claim 1, the trader investing \$100 worth of ABC shares would continue to own the \$100 worth of ABC shares (or the whole and fractional share equivalent) even while held in the fund and would not own any of the EFG and XYZ shares also held in the fund.

Claim 4 has been amended to recite tracking the number of shares or dollar amount of the given security wherein each of the investors continues to own only the securities they selected. None of the remaining references appears to overcome Wallman's failure to teach or suggest Claims 1 or 4. The rejections of Claim 1 and 4 under 35 U.S.C. §102(e) over Wallman have therefore been overcome and Claims 1 and 4 should be allowed. In addition, the remaining Claims 2-3 and 5-12 depend from and further patentably distinguish Claims 1 or 4. The rejection of Claims 2-3 and 5-12 under 35 U.S.C. §102(e) over Wallman have therefore also been overcome and Claims 2-3 and 5-12 should also be allowed.

In view of the remarks and amendments presented above, it is respectfully submitted that claims of the present application are in condition for allowance. It is respectfully requested that a Notice of Allowance be issued in due course. The Examiner is requested to contact Applicants' undersigned attorney to resolve any remaining issues in order to expedite examination of the present application.

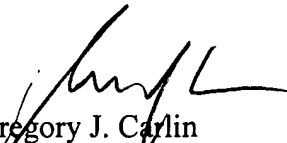
It is not believed that extensions of time or fees for net addition of claims are required, beyond those that may otherwise be provided for in documents accompanying this paper. However, in the event that additional extensions of time are necessary to allow consideration of this paper, such extensions are hereby petitioned under 37 CFR § 1.136(a), and any fee required therefore (including fees for net addition of claims) is hereby authorized to be charged to Deposit Account No. 16-0605.

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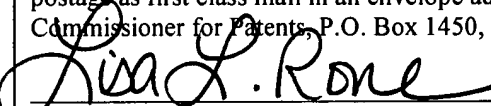
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